REMARKS

Claims 48-79 are pending in this application. Claims 48-51, 57, 64-67, and 73 have been amended. These amendments supported throughout the specification, particularly at pages 3-9. Claims 80-84 are new, and also are supported at pages 3-9 of the specification – especially at page 6.

The Office Action mailed July 27, 2005 rejects claims 48-79 on various grounds. Those rejections are respectfully traversed.

Claims 48-79 were rejected under 35 U.S.C. § 112, second paragraph, as being indefinite on the ground that the phrases "subgroup (losers subgroup)" etc. were in certain claims. Although Applicants respectfully submit that this means of designating subgroups is easier to follow than "first subgroup," "second subgroup," etc., the latter means of referring to subgroups is used in the amended claims. These amendments are believed to overcome the outstanding § 112 rejection.

Claims 48-79 also were rejected under 35 U.S.C. § 103 as unpatentable over the article "Price Momentum and Trading Volume," authored by Lee et al. ("Lee"), in view of U.S. Pat. No. 6,832,210, to Li ("Li"). These rejections are respectfully traversed, for the reasons provided below.

Lee does teach volume-based price momentum strategies and the momentum life cycle. However, Lee uses only a statistical regression, breaking securities in the Russell 3000 into ten portfolios. He looks at average daily volume over different length periods: 3, 6, 9, and 12 months (see page 11). Stocks are independently sorted based on average daily volume over the past J months (J = 3, 6, 9, and 12). The stocks are divided into 3 portfolios, where turnover is used as a proxy for trading volume. I.e., Lee looks at 3-month turnover, 6-month turnover, etc., and runs a regression to identify statistical significance (T stat > 2).

In other words, Lee performs a statistical analysis (regression) to identify past cases in which the momentum life cycle model was reasonably accurate.

The Office Action, at page 3, appears to assert that "regression" is the same as "volume/turnover filter." Applicants are aware of no support for this assertion – clarification is respectfully requested.

In contrast to Lee, in the present invention one looks at average daily turnover (volume traded divided by number of shares outstanding) per quarter for several of the preceding quarters, and then calculates the slope (i.e., the change in average daily turnover) from quarter to quarter. In other words, the system of the invention is not merely of academic interest – it provides useful information on which one can trade – it identifies securities on which one should go long or short.

In any event, as explained in previous communications, Lee fails to teach, among other things: (1) calculating turnover slope; (2) calculating a change in turnover from one quarter to the next; and (3) summing quarter-to-quarter changes in turnover for selected securities.

The Office Action appears to assert that Li teaches calculating turnover slope, referring to "claims 50 & 66" and "figures 3-9." But the figures in Li to which the Office Action refers are graphs of time series data for prices. The reference to claims 50 and 66 is confusing, since Li has only 27 claims.

In any event, a word search of Li disclosed no instances of the word "volume." Li is directed solely to analyzing time series pricing data and basing a trading strategy on that analysis. Li does not appear to contemplate any sort of analysis of trading volume or turnover data. Consequently, Li, like Lee, cannot teach: (1) calculating turnover slope; (2) calculating a change in trading volume from one quarter to the next; and (3) summing quarter-to-quarter changes in trading volume for selected securities.

In view of the fact that neither of the cited references teaches the claim limitations listed above, the rejection of the pending claims should be reconsidered and withdrawn.

Moreover, Applicants respectfully note that, even if the rejection of independent claim 49 were proper, the rejections of the claims depending therefrom would be improper. The Office Action does not address the limitations of most of the dependent claims at all. For example, claim 58 requires the step of investing long to be for a specified holding period; claim 59 requires the holding to be determined based on market volatility; claim 60 requires the holding period to

be based on an investor's desired level of risk. None of those limitations is addressed in the Office Action.

Similarly, dependent claim 61 requires the group pf claim 49 to be selected based on volatility and claim 62 requires the group to be based on market capitalization. Again, neither of these limitations is addressed in the Office Action.

Applicants respectfully note that it is improper to ignore arguments made in response to office actions. See MPEP § 707(f): "Where the applicant traverses any rejection, the examiner should, if he or she repeats the rejection, take note of the applicant's argument and answer the substance of it." If any of the above rejections are maintained, Applicants respectfully request the Patent Office to address each of the arguments made, and questions raised, above.

No fee is believed due in connection with this Response, other than the extension and RCE fees separately authorized. However, if any other fee is required, please charge that fee to Deposit Account No. 50-0310.

Respectfully submitted,

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